Advising the Congress on Medicare issues

Special needs plans and an update on the Medicare Advantage program

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MEDPAC

The Medicare Advantage program

- The Medicare Advantage program allows Medicare beneficiaries to receive their Medicare benefits through a private plan
- MA plans are paid a monthly capitated amount to provide Medicare benefits to their members
- Beneficiaries agree to give up their FFS Medicare coverage while enrolled in MA plans
- About 20 percent of beneficiaries are currently enrolled in MA plans

Payment neutrality for private plans and Medicare FFS

- Beneficiaries should be offered a choice of delivery systems
  - Could encourage long-term efficiency in healthcare delivery
- Beneficiaries should receive same level of support for Medicare FFS and MA plan choices – “financial neutrality”

Plan types and other groupings

- Coordinated care plans (CCPs)
  - HMOs
  - PPOs
    - Local PPOs
    - Regional PPOs
- Private fee-for-service (PFFS) plans

- Other groupings
  - Special needs plans (SNPs)
  - Employer or union group plans (employer-only)

Medicare Advantage enrollment is growing rapidly

	November MA enrollment		change	Enrollment / total Medicare
	2006	2007		
Total	7.5m	8.9m	18%	20%
Rural	0.8m	1.2m	44%	11%
Urban	6.7m	7.7m	15%	23%
Plan type				
CCP	6.7m	7.2m	8%	16%
PFFS	0.8m	1.7m	101%	4%

Source: MedPAC analysis of CMS enrollment data

Percentage of Medicare beneficiaries with an MA plan available, 2005-2008

	CCPs				
	Local CCP	Regional PPO	PFFS	Any MA	Avg. number of choices
2005	67%	N/A	45%	84%	5
2006	80	87%	80	100	12
2007	82	87	100	100	20
2008	85	87	100	100	35

Source: CMS website, landscape file

MA plan payment policy

- Based on bids and bidding targets (benchmarks)
- Amount of benchmark less bid is shared:
  - Medicare keeps 25%
  - beneficiaries get 75% from plan in extra benefits

Benchmarks, bids, and payments relative to FFS for 2008

	Payments/ FFS (2006)	Payments/ FFS (2008)	Bids/ FFS	Benchmarks/ FFS
All MA plans	112%	113%	101%	118%
Plan type				
HMO	110	112	99	117
Local PPO	117	119	108	122
Regional PPO	110	112	105	115
PFFS	119	117	107	120
SNP	118	115	97	121
Employer-only	114	116	108	118

Source: MedPAC analysis of CMS bid and rate data

MedPAC 2005 MA recommendations

- The Congress should set the benchmarks at 100 percent of the fee-for-service costs.
- The Congress should eliminate medical education payments from benchmarks.
- The Congress should redirect Medicare's share of savings from bids below the benchmarks to a fund that would redistribute the savings back to MA plans based on quality measures.

MedPAC 2005 MA recommendations (continued)

- The Congress should make a technical correction to the calculation of regional benchmarks and eliminate the regional plan stabilization fund.
- The Congress should phase-out the hold-harmless policy that offsets the impact of risk adjustment on aggregate payments.
- The Secretary should collect data to allow comparisons on quality between MA plans and FFS.

Special needs plans were added to Medicare Advantage beginning in 2004

- SNPs similar to regular MA plans, except they
  - Must offer the Part D drug benefit
  - May limit their enrollment to their targeted population
- The authority to limit their enrollment expires December 2008
- SNPs serve 3 types of beneficiaries:
  - Dual eligibles
  - Institutionalized beneficiaries
  - Patients with severe chronic diseases or conditions

Concerns about SNPs

- Lack of requirements to ensure that SNPs provide specialized care
- Number of SNPs and their enrollment are growing rapidly
  - 477 SNPs in 2007 and 775 in 2008
  - More than 1 million enrollees in November 2007
- New SNPs include organizations with and without specialized experience